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ST. TAMMANY PARISH ECONOMIC AND
INDUSTRIAL DEVELOPMENT DISTRICT

COMPONENT UNIT FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/14/02

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(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
St. Tammany Parish Economic and
Industrial Development District
St. Tammany Parish, Louisiana

We have audited the accompanying component unit financial statements of the St. Tammany Parish Economic and Industrial Development District, a component unit of the St. Tammany Parish Council, as of December 31, 2001 and for the two years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Economic and Industrial Development District as of December 31, 2001, and the results of its operations for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the component unit financial statements as a whole. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the St. Tammany Parish Economic and Industrial Development District. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

In accordance with *Government Auditing Standards* we have also issued a report dated May 23, 2002, on our consideration of the St. Tammany Parish Economic and Industrial Development District's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Smith, Huval & Associates, L.L.C.

May 23, 2002

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2001

	<u>Governmental Fund Type</u>	<u>Account Group</u>	
	<u>General</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
ASSETS			
Cash	\$ 17,880	\$	\$ 17,880
Investments	94,603		94,603
Due from State of Louisiana	44,648		44,648
Land		400,000	400,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 157,131</u>	<u>\$ 400,000</u>	<u>\$ 557,131</u>
LIABILITIES			
Accounts payable	\$ 6,268	\$	\$ 6,268
Due to Foundation	94,498		94,498
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	100,766		100,766
FUND EQUITY			
Investment in general fixed assets		400,000	400,000
Fund balance - unreserved	56,365		56,365
	<u> </u>	<u> </u>	<u> </u>
Total fund equity	56,365	400,000	456,365
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 157,131</u>	<u>\$ 400,000</u>	<u>\$ 557,131</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

For the Years Ended December 31, 2001 and 2000

	2001			2000		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES						
Intergovernmental						
State of Louisiana	\$ -	\$ 112,481	\$ 112,481	\$ -	\$ 107,552	\$ 107,552
St. Tammany Parish Council	-	12,000	12,000	-	12,000	12,000
Grants	-	-	-	-	400,000	400,000
Miscellaneous:						
Interest earned	-	3,375	3,375	-	279	279
Lease	-	12,000	12,000	-	-	-
Total revenues	-	139,856	139,856	-	519,831	519,831
EXPENDITURES						
Economic development support	-	80,857	(80,857)	-	155,745	(155,745)
Legal and professional	-	11,219	(11,219)	-	1,215	(1,215)
Land purchase	-	-	-	-	400,000	(400,000)
Total expenditures	-	92,076	(92,076)	-	556,960	(556,960)
Excess (deficiency) of revenues over expenditures	\$ -	47,780	47,780	\$ -	(37,129)	(37,129)
FUND BALANCES - BEGINNING OF YEAR		8,585			45,714	
FUND BALANCES - END OF YEAR	\$	56,365		\$	8,585	

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Tammany Parish Economic and Industrial Development District was established for the object and purpose of promoting and encouraging development of economic and industrial opportunities, stimulating the economy of the parish and utilizing and developing the natural and human resources of the parish by providing job opportunities.

1. Reporting Entity

The District was created by the State of Louisiana Revised Statutes 33:130.401 to 33:130.409. It was reestablished as a separate political body under the provisions of Article VI, Section 44 of the Constitution of Louisiana. The District is governed by a board of commissioners which are appointed as follows:

- a. Two members appointed by the St. Tammany Parish Council who serve one year terms.
- b. Two members appointed by the Municipal Association in St. Tammany Parish who serve one year terms.
- c. Two members appointed by the United Chambers of Commerce in St. Tammany Parish who serve one year terms.
- d. Five members appointed by the St. Tammany Economic Development Foundation who serve staggered terms of one, two, and three years.
- e. One member appointed by the St. Tammany Parish president who serves as an ex-officio nonvoting member.
- f. One member is the executive director of the St. Tammany Economic Development Foundation who serves as an ex-officio nonvoting member.

As the governing authority of the parish, for financial reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary governments is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because it appoints members of the District and as such is financially accountable for the District. However, the Parish governing authority has elected to not report the District in its annual financial statements which is a departure from generally accepted accounting principles. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

2. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid the financial management by segregating transactions relating to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The governmental fund accounts for the District's general activities including the collection and disbursement of specific or legally restricted monies and, the acquisition or construction of general fixed assets. The governmental fund of the District includes the General Fund which is the general operating fund of the District and accounts for all financial resources.

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance. The modified accrual basis of accounting is used by the governmental fund.

Each state fiscal year the Louisiana Legislature has the authority to appropriate funds from state sales tax collections to be distributed to local governments throughout the state to be used for tourism and economic development including support for historic preservation and arts and humanities. The amounts appropriated for the state fiscal years ending December 31, 2001 and 2000 have been recorded in these financial statements. Payments are made quarterly.

4. Budgets and Budgetary Accounting

The District did not adopt an operating budget for the years ended December 31, 2001 and 2000.

5. Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

6. General Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. No depreciation has been provided on general fixed assets. All equipment is valued at historical costs.

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE B - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2001:

Demand deposits	<u>\$17,880</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2001, the District has \$17,880 in deposits (collected bank balances) which is entirely covered by federal deposit insurance.

NOTE C - RELATED PARTY TRANSACTIONS

The District utilizes the offices and services of the St. Tammany Economic Development Foundation. The Foundation is a non-profit organization established for the purpose of promoting and encouraging economic development within St. Tammany Parish. Many of the District's board members are also active members of the foundation. During the year ended December 31, 2001 and 2000, the District made payments to the Foundation of \$ 80,857 and \$155,746, respectively. At December 31, 2001, the District owed the Foundation \$94,498.

NOTE D - INVESTMENTS

Investments of \$94,603 which are stated at market using published quotes as of December 31, 2001 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB because the investment is in a pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and state wide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities; as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE E - GENERAL FIXED ASSETS

General fixed assets at December 31, 2001 consists of land purchased on December 20, 2000. The land was purchased through a grant from the Louisiana Department of Economic Development. The land was immediately leased to a local company for an initial term of five years with monthly rentals of \$1,000 per month. *The lease provides for renewal options of up to 19 additional five year terms.*

NOT F - SUBSEQUENT EVENT

On May 23, 2002, the District adopted a resolution authorizing the issuance of not exceeding \$15,000,000 of Series 2002 Taxable Revenue Bonds. The proceeds of the bonds are to be used to finance construction of plant and purchase of equipment for a company relocating its manufacturing facilities to St. Tammany Parish. Debt service of bonds will be funded by revenues from lease of facilities and equipment to the company.

SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

SCHEDULE OF GOVERNING BOARD

December 31, 2001

Compensation

Peter Link
728 E. Independence
Covington, Louisiana 70433

-0-

Stuart McAvoy
40 Shady Oaks Drive
Covington, Louisiana 70433

-0-

Dave Anderson
1411 Gause Blvd.
Slidell, Louisiana 70458

-0-

Evans Spiceland
123 W. Ruelle
Mandeville, Louisiana 70471

-0-

Mike Pike
55285 Highway 433
Slidell, Louisiana 70461

-0-

Nixon Adams
250 Dona Drive
Mandeville, Louisiana 70448

-0-

Karl Zollinger
911 Winona Drive
Mandeville, Louisiana 70448

-0-

Hyatt Hood
304 W. 18th Street
Covington, Louisiana 70433

-0-

Bill Oiler
P. O. Box 628
Covington, Louisiana 70434

-0-

Greg Gorden
2019 Ponderosa Place
Mandeville, Louisiana 70448

-0-

ST. TAMMANY PARISH ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

SCHEDULE OF GOVERNING BOARD (Continued)

December 31, 2001

	<u>Compensation</u>
Richard Gunther 2136 W. Ridge Drive Mandeville, Louisiana 70448	-0-
Dewey Spies 59232 Pine Bay Lane Lacombe, Louisiana 70445	-0-

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
St. Tammany Parish Economic and
Industrial Development District
St. Tammany Parish, Louisiana

We have audited the financial statements of the St. Tammany Parish Economic and Industrial Development District as of December 31, 2001 and for the two years then ended and have issued our report thereon dated May 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the St. Tammany Parish Economic and Industrial Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the following paragraph.

In the years ending December 31, 2001 and 2000, the District did not adopt a budget for its general fund as required by LRS 39:1303. The District should immediately enact a budget for the year ending December 31, 2002.

In planning and performing our audit, we considered the St. Tammany Parish Economic and Industrial Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and the Louisiana Legislative Auditor and is not intended and should not be used by any other than those specified parties.

Smith, Huval & Associates, L.L.C.

May 23, 2002

St. Tammany Parish Economic and Industrial Development District

1000 Caruso Blvd, Suite 199

Slidell, LA 70461

LEGISLATIVE AUDITOR

2002 JUN 31 AM 11:06

June 25, 2002

Legislative Audit Advisory Committee

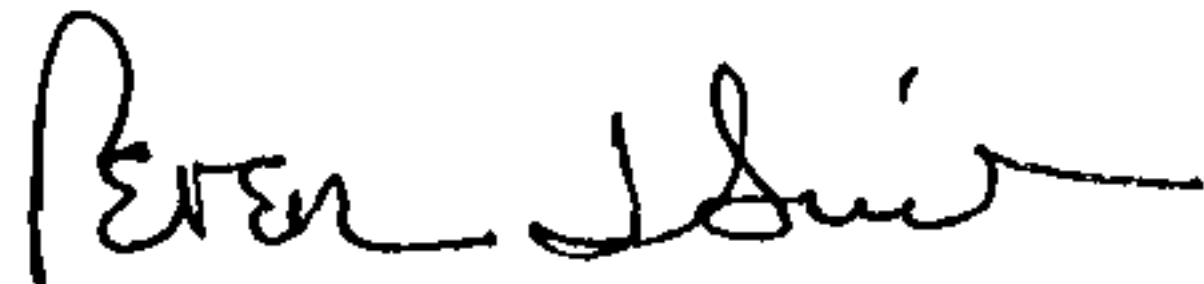
P. O. Box 94397

Baton Rouge, LA 70804-9397

To Whom it May Concern:

I am writing in response to a finding included in the audit of the financial statements of the St. Tammany Economic and Industrial Development District for the year ending December 31, 2001. The District had been dormant for several years. We have been made aware of the requirements of LRS 39:1303. We will prepare a budget and make it available for public inspection. The budget for the year ended December 31, 2002 will be adopted as soon as possible.

Sincerely



Peter J. Link

President